

SUBCOMMITTEE NO. 3

Agenda

Chair, Senator Denise Moreno Ducheny
Senator George C. Runner
Senator Wesley Chesbro



Wednesday, February 8, 2006, 1:30 pm
John L. Burton Hearing Room (4203)
Consultant, Anastasia Dodson

2006 Federal Budget: Impact on Human Services and Low-Income Families in California

OVERVIEW

20 minutes

- Cliff Allenby (Department of Social Services)
- Todd Bland (Office of the Legislative Analyst)
- Jean Ross (California Budget Project)
- Mike Herald (Western Center on Law and Poverty)
- Jennifer Rodriguez (California Youth Connection)

CHILD SUPPORT

20 minutes

- David Maxwell-Jolly (Department of Child Support Services)
- David Oppenheim (Child Support Directors Association)
- Curt Child (National Center for Youth Law)
- Mark Beckley (Department of Finance)

CHILD WELFARE and FOSTER CARE

20 minutes

- Mary Ault (Department of Social Services)
- Cathy Senderling (County Welfare Directors Association)
- Nick Buchen (Department of Finance)

CalWORKs and CHILD CARE

20 minutes

- Charr Lee Metsker (Department of Social Services)
- Frank Mecca (County Welfare Directors Association)
- Nancy Strohl (Child Care Law Center)
- Diana Spatz (LIFETIME)
- Nick Buchen (Department of Finance)

PUBLIC TESTIMONY

20 minutes

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Senate Office of Research, 1020 N Street, Suite 200, Sacramento, CA 95814
Don Moulds, Director

FEDERAL DEFICIT REDUCTION ACT OF 2005: POTENTIAL IMPACTS TO CALIFORNIA

Prepared for the Senate Budget and Fiscal Review Committee
Subcommittee No. 3
February 8, 2006

On February 1, 2006, Congress passed the Deficit Reduction Act of 2005, which the President is expected to sign. Some of the potential impacts to California in the area of human services are summarized below.

CHILD SUPPORT

- **Prohibits the state from using federal “performance incentive dollars” towards its contribution to child support program costs.** Currently, California uses the federal performance incentive funds towards its 34 percent contribution to child support program costs (the federal government contributes 66 percent). The Legislative Analyst’s Office (LAO) estimates an annual loss of \$90 million in federal funds to California, beginning in federal fiscal year (FFY) 2008.
- **Reduces the state’s ability to collect child support.** A portion of child support collections is retained by California as General Fund revenue. If California does not backfill the \$90 million annual loss in federal matching funds cited above, the state could lose some ability to collect child support. The LAO estimates that this could result in an annual loss of \$10 million to \$15 million in General Fund revenues.
- **Imposes an annual fee for non-CalWORKs cases.** Assesses a \$25 annual fee on states for each family that does not receive CalWORKs cash assistance. The fees would be deducted from the federal allocation for administration costs. The LAO estimates this would result in an annual loss of \$5 million in federal funds to California, beginning in FFY 2007.
- **Provides federal financial participation in the pass-through of child support payments to CalWORKs families.** California would no longer have to reimburse the federal government for a portion of the \$50 per child support payment that is currently passed on to welfare families. The LAO estimates this would result in annual General Fund savings of \$15 million, beginning in FFY 2009.

FOSTER CARE

- **Restricts eligibility of children for federal foster care payments.** Requires states to use the income of the family from which the child was removed, rather than the income of the family with whom the child is placed, in determining eligibility (this is a reversal of the federal court decision in *Rosales v. Thompson*). The LAO estimates an annual loss of \$5 million in federal funds to California, beginning in FFY 2006.
- **Limits federal administrative funding for certain placements.** Limits federal administrative funding for children placed in certain settings, such as unlicensed or unapproved foster homes or juvenile detention facilities. The LAO estimates an annual loss of \$15 million to \$20 million in federal funds to California, beginning in FFY 2006.
- **Increases federal funding for child welfare services and juvenile court improvements.** The LAO estimates that California is likely to receive about \$50 million over a five-year period, beginning in FFY 2006.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

- **Changes the methodology for calculating work participation rates.** A change in methodology would likely require California to increase its work participation rates in CalWORKs from 23 percent to 50 percent for all families, and from 32 percent to 90 percent for two-parent families. Families receiving CalWORKs assistance funded solely by state dollars would now be included in the work participation rates.
- **Maintains penalties for noncompliance with work participation requirements.** Noncompliance results in a loss of federal funds that California would be required to backfill. In addition, California would be required to increase its state maintenance-of-effort (MOE) spending. The LAO estimates that noncompliance could result in General Fund backfill costs of \$185 million initially (potentially increasing thereafter), beginning in FFY 2009, and an increase in General Fund MOE spending of \$180 million, beginning in FFY 2007.
- **Maintains the TANF block grant amount at its current level.** Increasing the work participation rates in CalWORKs could require increased state spending for employment-related services for families, such as child care. The Center for Law and Social Policy estimates that costs to California for these services would be approximately \$400 million, beginning in 2007.

CHILD CARE

- **Increases child care funding.** Increases federal child care funding to California by approximately \$25 million annually for five years, beginning in FFY 2006, according to the LAO.